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PUBLIC DISCLOSURE

May 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**UTAH INDEPENDENT BANK
12-49-0394-0000**

**55 South State Street
Salina, Utah 84654**

**FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Utah Independent Bank** prepared by the **Federal Reserve Bank of San Francisco**, the institution's federal supervisory agency, as of May 5, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING:

Utah Independent Bank's overall CRA performance is rated outstanding based upon a review of its provision of credit to its community. Lending trends and patterns reviewed during the examination indicate that management had taken a leadership role in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. This assessment is further substantiated by the bank's innovative but prudent loan program policies, including the bank's decision to offer three loan products to meet a broad spectrum of the community's credit needs. Additionally, the bank has had significant success in lending to low- and moderate-income borrowers, small businesses, and small farms. Lastly, the bank's excellent lending record is further substantiated by the number of loans extended and the geographic dispersion of these loans throughout the assessment area for all three product types.

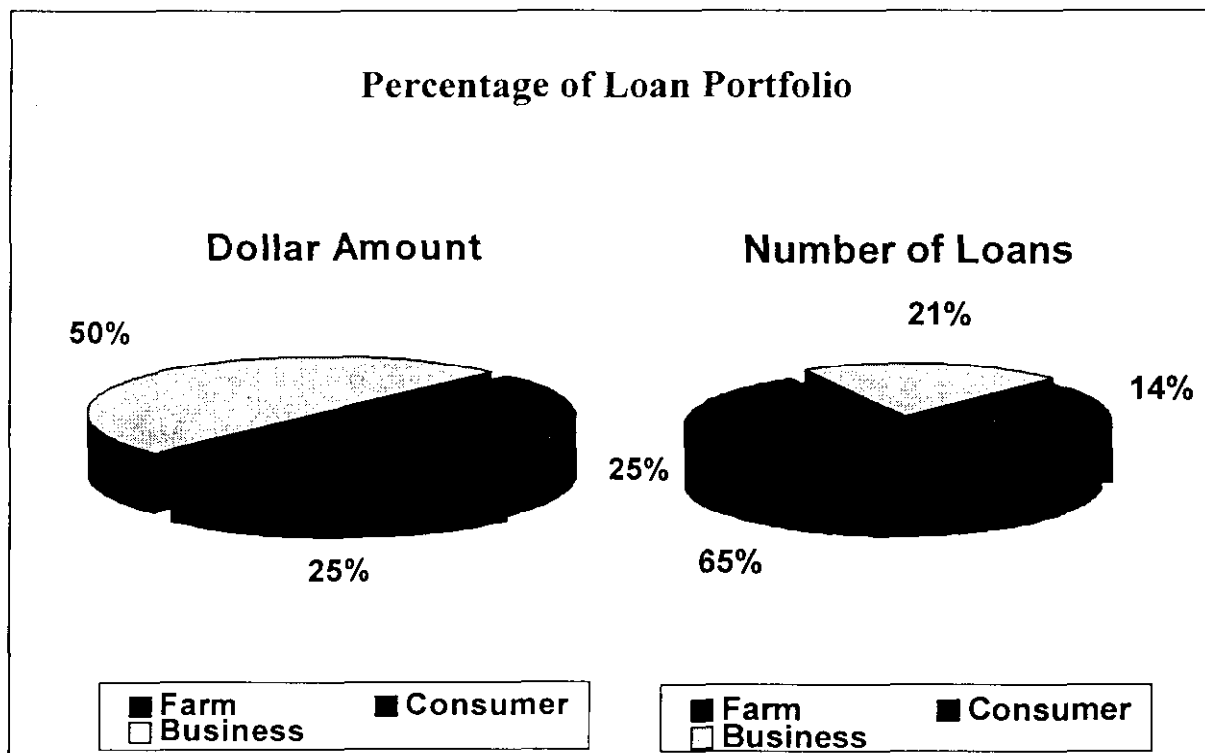
The following table indicates the performance level of Utah Independent Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PERFORMANCE LEVELS for <u>UTAH INDEPENDENT BANK</u>		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints received since prior examination.		

DESCRIPTION OF INSTITUTION:

Utah Independent Bank (UIB) is a wholly-owned bank with assets totalling \$26.1 million as of March 1997. The bank's headquarters is located in Salina, Utah, and the bank operates a branch office in Beaver, Utah. The bank has not had any recent branching activity. The bank's primary focus is to meet the needs of the community by offering an array of credit products and services. To reach this goal, the bank offers a variety of consumer, commercial, Small Business Administration, residential construction, mobile home, residential second mortgage, and farm loans. It is the bank's overall lending strategy to tailor any of these loan products to a borrower's specific loan request. The bank is innovative in its loan collateral requirements and is flexible in structuring the terms of the loan to meet the needs of the individual consumer. The bank has combined innovative but prudent loan programs with flexible underwriting guidelines and, as a result, has been successful in meeting the needs of a broad range of consumers in the community, especially low- and moderate-income borrowers.

Examiners reviewed three major loan products offered by the bank. The loan products include consumer, farm, and business loans. Other loan products offered, but not reviewed at this examination, include residential construction loans, mobile home loans, and second mortgage loans. A review of the loans originated during the period between October 30, 1995, and February 28, 1997, found that the bank has been successful in its strategy as a full service lender:



There are no legal or financial impediments that would hinder the bank's ability to extend credit. The bank has the ability to help meet the credit needs of its assessment area consistent with its size, financial capacity, and product offering. However, due to the size of the bank, it is limited in its ability to participate in the larger investment opportunities within the assessment area.

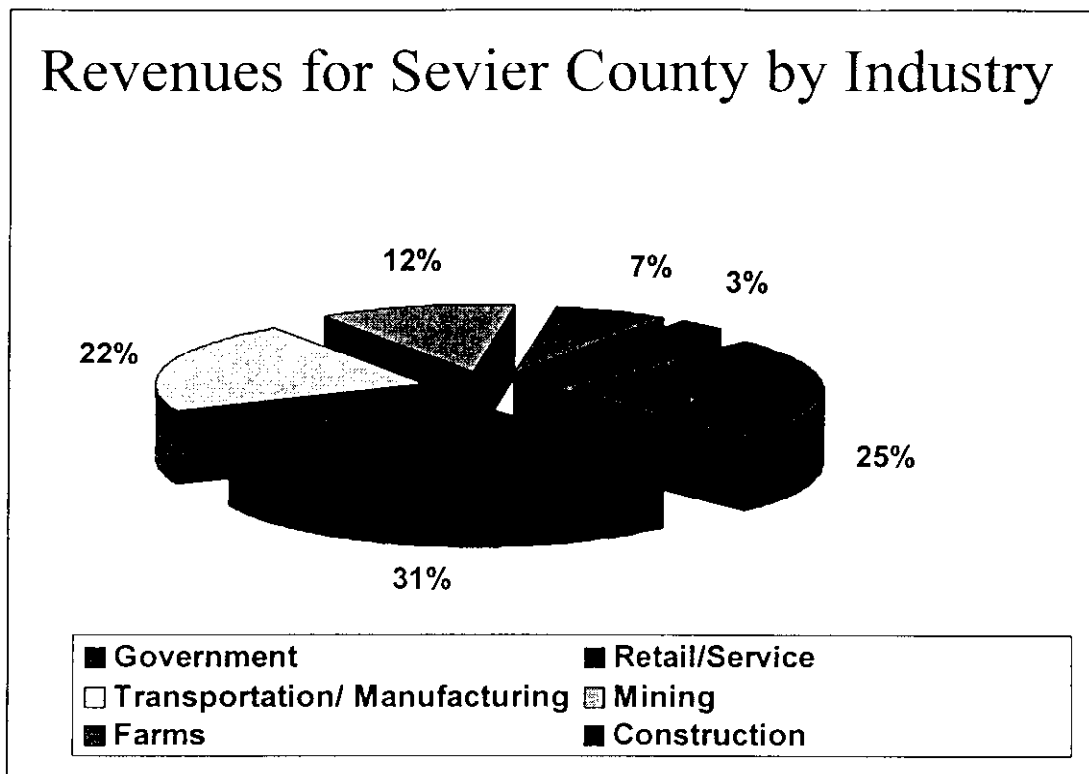
UIB received a rating of satisfactory at the previous CRA examination.

DESCRIPTION OF SEVIER AND BEAVER COUNTIES:

UIB's assessment area comprises all of Sevier and Beaver Counties. According to the 1990 census, the total population of the assessment area is 20,196. The assessment area comprises one moderate-income block numbering area (BNA) and six middle-income BNAs. Between 1990 and 1994, the assessment area experienced significant population growth of 8.74%, increasing the population size to 21,962. The assessment area is largely rural, with a majority of the population located in small towns. A high percentage of the area is comprised of national forests and land regulated by the Bureau of Land Management. The largest town in the assessment area is Richfield, the county seat of Sevier County, which has a population of 6,197. The remaining towns have populations of less than 2,100.

The economic base of the community has changed in recent years from an agricultural economy to a more service-oriented economy. The majority of farms are small, with the owners relying on other employment to supplement their farm incomes. The major industries in the area are mining, service, retail, and transportation-related, with the service industry the strongest and fastest growing.

The chart below indicates the largest sources of industry revenues for Sevier County:



Although exact industry revenue statistics were not available for Beaver County, information provided by the community contacts indicates the economy has a similar economic base as that of Sevier County.

While the assessment area has recently experienced economic growth, the median family income for the area is only \$28,432. This figure is 14% lower than the average for the State of Utah, which is \$33,246, and 6% lower than that of the non-metropolitan areas of Utah, which is \$30,184. Additionally, 43.5% of the families in the assessment area are low- or moderate-income, which is significantly higher than that for the entire state (36.8%).

During the examination, contacts were made with members of the community to assist examiners in determining the credit needs of the assessment area. The contacts indicated that there is a need for business loans in the range of \$500,000 and above to assist local businesses expand their current operations. Construction loans, permanent financing of affordable housing, and community development loans to assist the counties in rebuilding county infrastructures are other credit needs of the bank's community. In addition to the identified credit needs, the contacts stated that, as a result of recent bank mergers, larger regional banks, which they believe are not as responsive to the special needs of the community, are replacing smaller

community banks that understand the community's credit needs. The contacts indicated that for some borrowers, credit is now harder to obtain, or offered on more onerous terms.

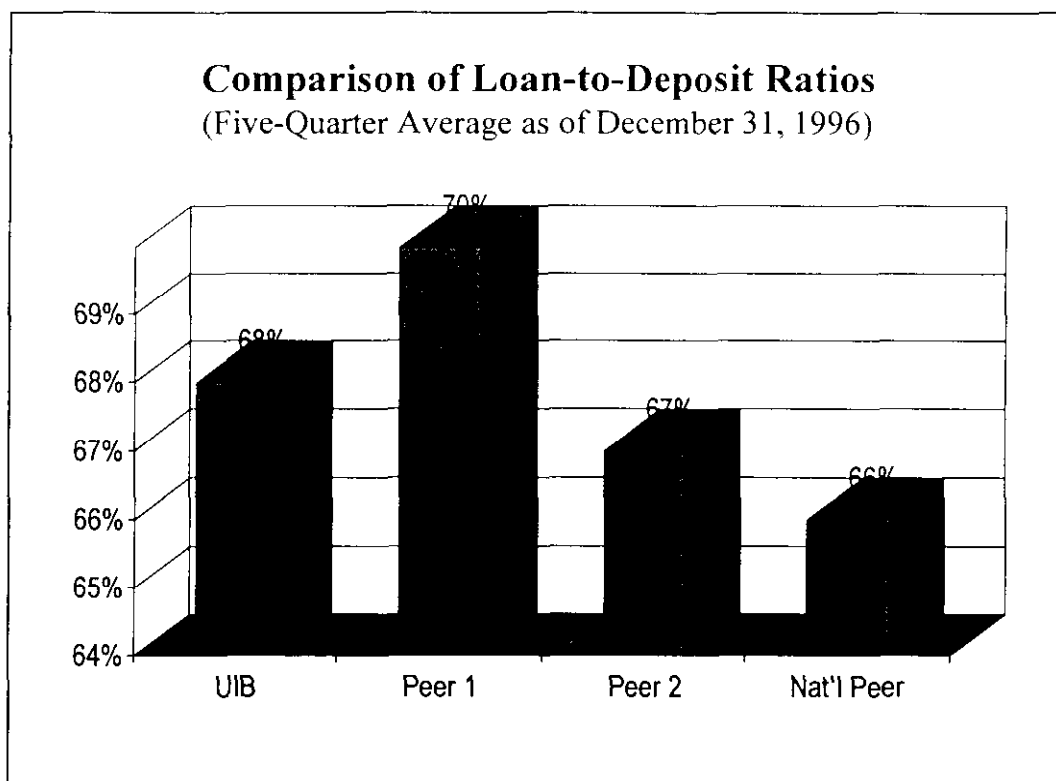
The above information indicates that the financial needs of the community are diverse, with a need for business capital, farm loans, and consumer-related financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO:

As indicated on the graph below, as of December 31, 1996, the bank's average loan-to-deposit ratio for the last five quarters is 68%, which is comparable to the average ratio of both peer bank #1 (70%) and peer bank #2 (67%), and slightly above average for the national peer bank (66%). Trends in the bank's quarterly loan-to-deposit ratio were analyzed. The loan-to-deposit ratio has changed very little, from a low of 66% to a high of 71% since the previous examination.

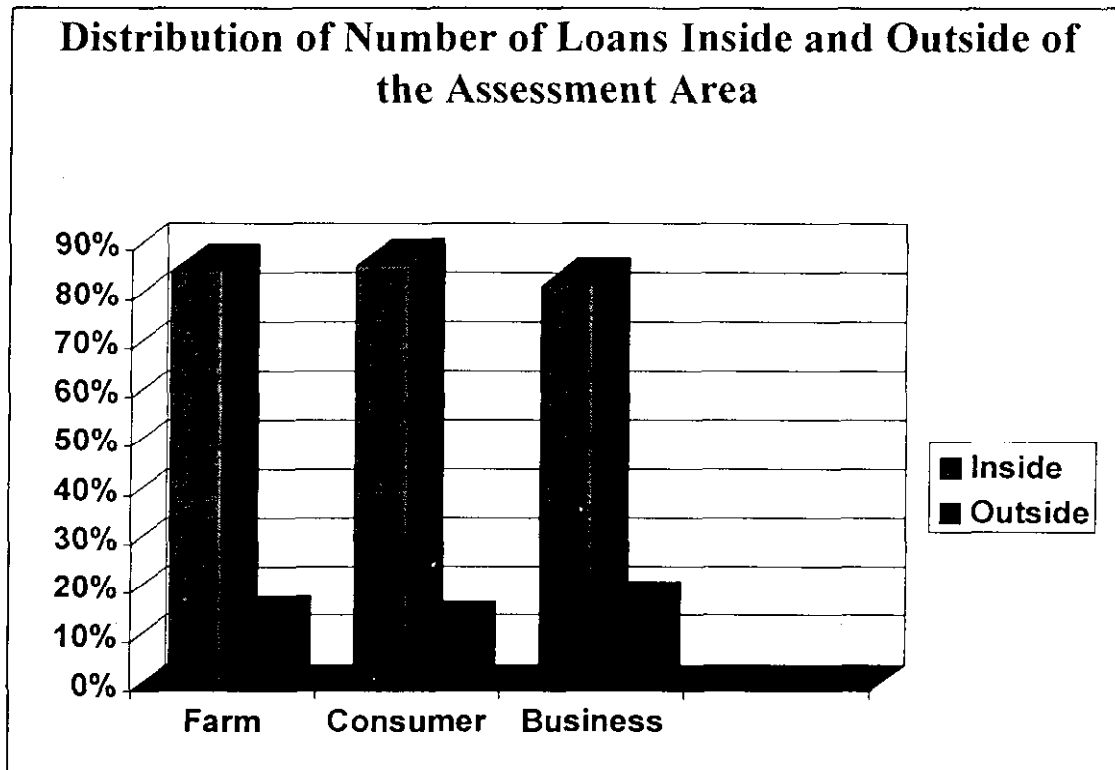
A review of the loans made by the bank during the 16-month review period found that the bank made 509 consumer, 106 farm, and 159 business loans, which is a significant number considering the bank's size and resources. Further, a review of these loans indicated that a substantial number were for relatively small dollar amounts. The average loan amount for consumer, farm, and business loans is \$5,040, \$31,360, and \$24,227, respectively. Therefore, the bank's performance in this category is satisfactory.



LENDING IN ASSESSMENT AREA:

UIB's loan portfolio is primarily comprised of consumer, business, and farm loans. Therefore, the bank's lending record within the assessment area was evaluated based on a loan sample of each of the product types.

Of the 509 consumer loans reviewed, 444 (87%) were located within the assessment area. Additionally, of the 159 business loans and 106 farm loans reviewed, 132 (83%) and 91 (86%), respectively, were located within the bank's assessment area.



An analysis was also performed concerning the total dollar amount of lending within and outside of the assessment area for each loan product. The analysis found that 85% of the total dollars for consumer loans, 80% of the total dollars for business loans, and 83% of the total dollars for farm loans were made within the assessment area.

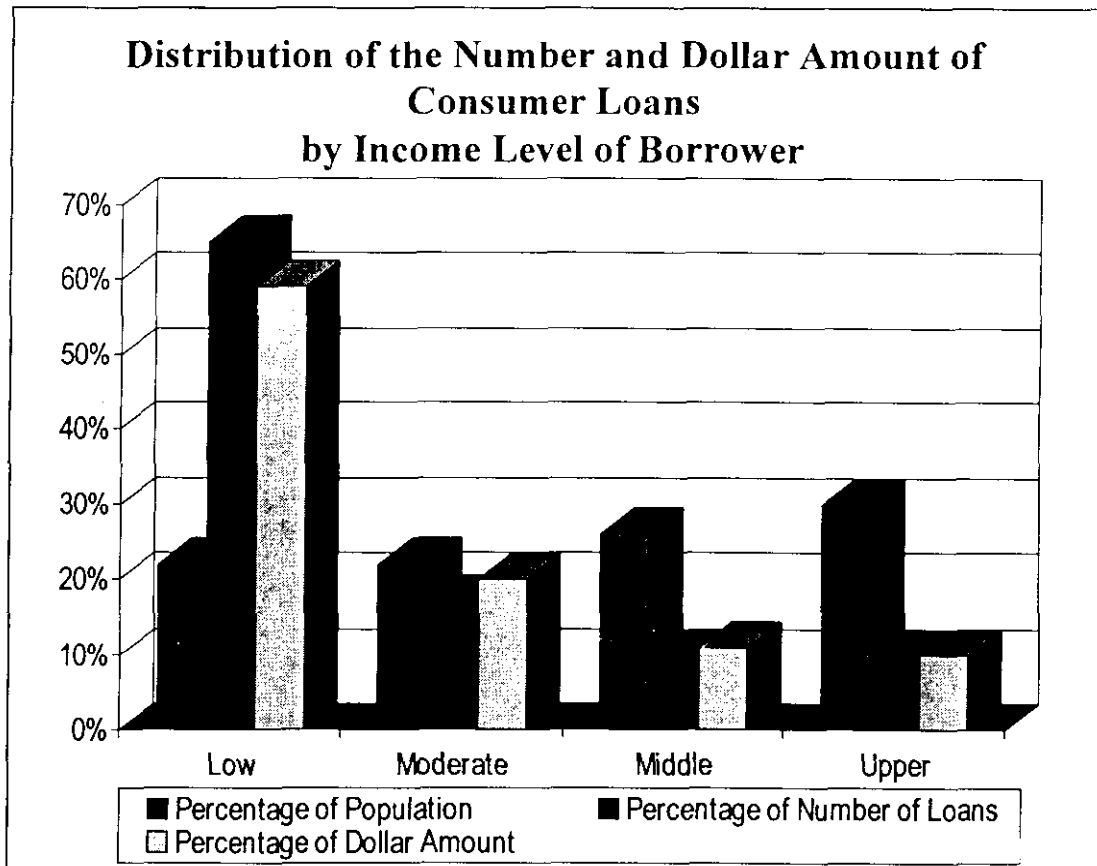
Based on the number of inhabitants in the assessment and the fact that the bank is encountering increased competition from the regional banks with branch offices located in Richfield, the percentage of loans made within the assessment area exceeds standards for satisfactory performance.

LENDING BY BORROWER INCOME AND BY BUSINESS REVENUE:

The distribution of the bank's consumer lending activity among families of different income levels was analyzed and compared with income levels of the population in the assessment area. The bank's lending performance to businesses and farms of different revenue sizes was also analyzed. To analyze business and farm loans, examiners considered both the loan amount and gross annual revenues of the businesses and farms in the preceding calendar year.

Consumer Loans

The following graph compares the bank's record of lending compared to the economic composition of the assessment area. As indicated by the graph, the bank has been successful in making loans to borrowers of all four income categories.

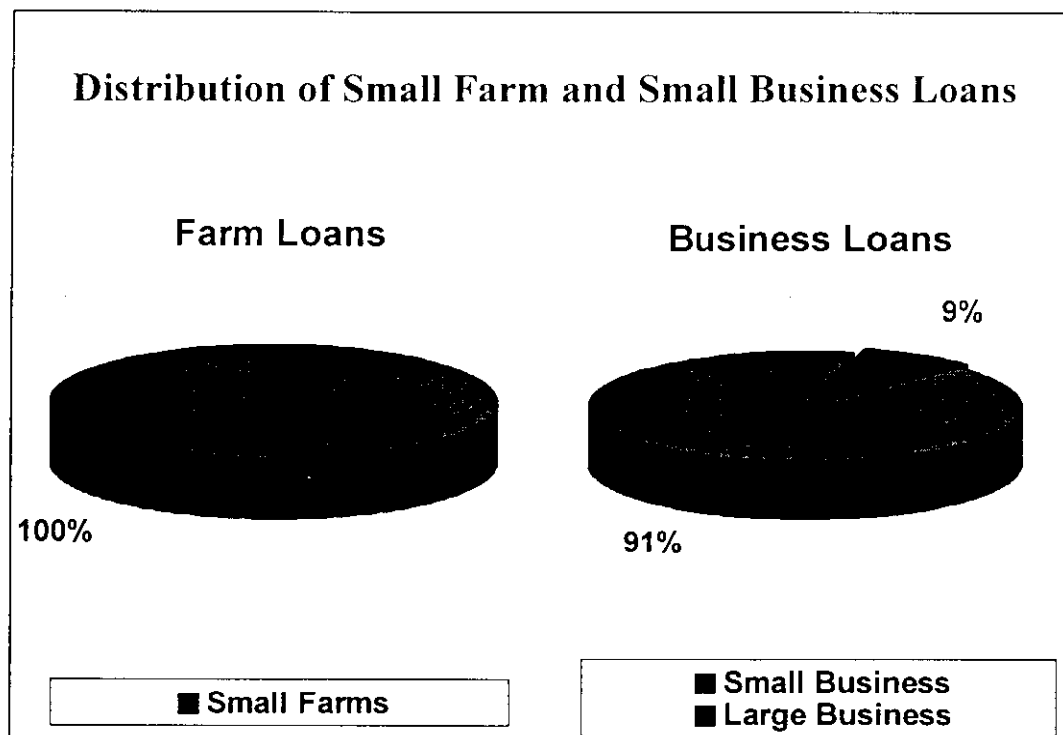


The percentage of low- and moderate-income families obtained from the Census Bureau confirms the information obtained from the community contacts, who stated that the assessment area has a sizeable percentage of low- and moderate-income families. The graph indicates that the bank is particularly successful in lending to

these families. Most notable is the fact that low-income borrowers received 65% of the total number of loans, and 59% of total dollars lent by the bank. This is significantly higher than the total percentage of low-income families in the assessment area, which is 22%. Similarly, the bank's record of lending to moderate-income borrowers is good, with 17% of the total number of loans made to this portion of the population, which comprised 22% of the assessment area. Therefore, the bank's record of consumer lending demonstrates an excellent penetration among families of different economic levels, particularly to low- and moderate-income families.

Business and Farm Loans

Most businesses in the assessment area are considered small, according to information provided by the community contacts. This is supported by the fact that, of the 472 businesses in the assessment area, only 17 (4%) have more than 50 employees. Additionally, the community contact indicated that most farms in the area are not subsistence farms, but operate for the purpose of generating a second income. A majority of these are considered small farms, with annual revenues well below \$500,000.



The graph indicates that the majority of the bank's lending is to small farms and to small businesses. (Businesses and farms with annual revenues below \$1,000,000 are considered small.) Further analysis of the size of the bank's loans revealed that 95% of the business loans are for amounts of \$100,000 and below, with an average

loan size of \$24,227. Small business owners typically make requests for loan amounts of \$100,000 or less. The same trend may be applied in this case, indicating that a significant number of the business loans are to small businesses. Of the farm loans reviewed, 97% were for amounts of \$100,000 and below, with an average loan size of \$31,360. By extending a substantial percentage of credit to small farms and to small businesses, the bank has effectively demonstrated that it is meeting the credit needs of the small farms and small businesses located within its assessment area.

The bank's overall performance under this category is excellent. The three primary products enable the bank to reach a broad range of borrowers. The bank's record of consumer lending demonstrates that the bank is successful in lending to the low- and moderate-income population. Additionally, the bank is successful in lending to small farms and to small businesses.

GEOGRAPHIC DISTRIBUTION OF LOANS:

The distribution of the bank's consumer, farm, and business lending among the various BNAs was analyzed and compared with the population and credit needs within each of the areas. To determine the geographic distribution of the bank's lending activity, a statistically significant loan sample was selected from the bank's consumer, farm, and business loans located within the bank's assessment area. According to the U.S. Census Bureau, of seven BNAs within the assessment area, one is moderate-income and the remaining six are middle-income. Moderate-income is defined as at least 50% and less than 80% of the median family income; middle-income is at least 80% and less than 120% of the median family income. The total population of the middle-income BNAs is 16,893, and the population of the one moderate-income BNA is 3,303 (16% of total population of the assessment area). A large percentage of the moderate-income BNA is government-owned land (Fishlake National Forest), and the largest town in this BNA is Monroe, with a population of 1,763. The BNA has only one bank, very limited consumer services, and limited business lending opportunities. The BNA is located between UIB's offices in Salina and Beaver. The residents of this area have better access to the banks and retail establishments of the much closer and larger town of Richfield.

The following chart indicates the distribution of loans in each BNA:

Percent of Loans				
	Percent of BNAs	Consumer	Farm	Business
Moderate-Income BNA	14%	6%	12%	5%
Middle-Income BNAs	85%	94%	88%	95%

The volume of lending in this moderate-income BNA is low relative to the percentage of moderate-income BNAs in the bank's assessment area. A review of the performance context revealed three reasons for the low level of lending. The first reason is that the moderate-income BNA is not located near a branch of the bank. The second reason is that the bank's largest competitors are located between this BNA and the bank within the city of Richfield (the largest city in the assessment area). The final reason is that there are limited consumer and retail lending opportunities in this BNA because of its sparse population. Given the sparse population and competition from larger banks located in the more accessible town of Richfield, the low level of lending in the moderate-income BNA is reasonable.

The bank's lending record in the remaining six middle-income BNAs indicates an excellent dispersion of each loan product throughout each BNA. The geographic distribution is further enhanced by the bank's high number of loans made during the review period, and the fact that the bank is successful in lending in many of the small towns throughout each BNA.

The dispersion of loans indicates that a majority of loans are located in the same BNA as the Beaver branch office, followed by the BNA where the Salina office is located. This is appropriate, given the fact that the town of Beaver is the largest in Beaver County, with 50% of that county's population. Therefore, the bank's overall distribution of lending in the assessment area is excellent, given the wide distribution of all three loan products.

RESPONSE TO COMPLAINTS:

Since the previous examination, the bank received no complaints relating to CRA; therefore, the institution's record of taking action in response to such complaints could not be evaluated.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS:

The bank is in compliance with the substantive provisions of non-discrimination laws and regulations, such as the Equal Credit Opportunity Act. A review of loan requests and loan denials was completed, and no violations of these regulations were found. Additionally, a review of the bank's loan processing procedures, loan underwriting guidelines, and loan pricing practices was completed. No practices or procedures were identified which indicated that applicants and/or borrowers were unfairly treated in the processing, qualification, or pricing of credit.

Utah Independent Bank - Assessment Area
 (Salina County and Beaver County, Utah)
 Examination Date: May 5, 1997

